AUTHOR: Eugene Mahalingam SECTION: STARBIZ AUDIENCE : 175,986 PAGE: 1,2
PRINTED SIZE: 1007.00cm² REGION: KL MARKET: Malaysia PHOTO: Full Color ASR: MYR 51,025
WORDS: 1246 ITEM ID: DP0121490133

27 JUL, 2026

DC boom reshapes property market

The Star, Malaysia

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Suitable sites now hinge on adequate power capacity, utility readiness, connectivity and speed of execution

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> "Infrastructure readiness has become a more important differentiator than the land itself."
> Previn Singhe

PETALING JAYA: Malaysia's rapid rise as a regional data centre (DC) hub is transforming the country's property market, fueling demand for industrial land, accelerating infrastructure development and driving greater investment in logistics, utilities and other supporting real estate assets.

Zerin Properties chief executive officer Previn Singhe said the rapid growth of the DC industry has been one of the most significant structural changes to the property market over the past two to three years.

"Initially, the impact was largely reflected in stronger demand for industrial land, particularly in strategic locations with access to reliable power, water supply and fibre connectivity. However, the market has since evolved beyond land acquisition into a much broader digital infrastructure ecosystem," he told *StarBiz*.

What has changed most is not just the volume of investment – but how investors evaluate real estate opportunities, added Previn.

"The conversation has shifted from simply identifying suitable land to assessing whether a site can support long-term digital infrastructure through adequate power capacity, utility readiness, connectivity and speed of execution," he explained.

In many cases, Previn said infrastructure readiness has become a more important differentiator than the land itself.

"We are also seeing developers, institutional investors and fund managers adapting their strategies to capture long-term value through infrastructure ownership, recurring income models and strategic partnerships with DC operators, rather than relying solely on conventional property development.

"This reflects a more mature stage of the market where execution capability, operational readiness and ecosystem development have become the key drivers of investment decisions." Ultimately, the industry has moved beyond being simply "an industrial property story," Previn said.

"It is now influencing capital allocation, development strategies and investment priorities across Malaysia's real estate sector, reinforcing the country's position as an increasingly important digital infrastructure hub in the region."

Olive Tree Property Consultants founder and chief executive officer Samuel Tan, who is based in Johor, said DCs have become the single clearest demand driver in the southern state's industrial land.

"It is one of the strongest sectors touching the wider property market, especially in Johor," he said.

> TURN TO PAGE 2

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Logistics, warehousing assets supporting DC construction to gain

> FROM PAGE 1

Tan noted that average industrial land prices rose to RM86 per sq ft in 2025, up 8.4% year-on-year (y-o-y), with premium DC-adjacent plots in Iskandar Puteri going for RM120 to RM150 per sq ft – reflecting proximity to Tenaga Nasional Bhd or TNB substations and confirmed hyperscaler facilities.

"The National Property Information Centre or Napic data showed a 22% y-o-y appreciation in that corridor by late 2024. Top-tier property developers have actively pivoted their portfolios to monetise industrial parks."

According to Tan, Johor Baru has added 574MW over the past five years and now sits among the top three Asia-Pacific DC markets alongside Tokyo and Beijing, with 850MW completed, 1,800MW under construction and 2,700MW in the pipeline.

He said several property segments stand to benefit from the continued expansion of the DC industry. "The main beneficiaries are the industrial and DC-ready land such as those in the Sedenak, Kulai, Iskandar Puteri and Senai corridors.

"Other beneficiaries include logistics and warehousing assets supporting DC construction and equipment supply chains."

Tan added that mid to high-end residential properties and serviced apartments near the Johor Baru central business district, Iskandar Puteri and Medini are also benefiting, driven by the relocation of managerial and technical personnel as well as Singapore-based operations teams.

"DCs do not exist in isolation; they attract a digital ecosystem. There is also a growing clustering effect, with software developers, enterprise service providers and technology vendors leasing Grade A office space nearby to minimise latency and provide direct support to DC operations.

"Grade A office space will also benefit as Singapore-based firms assess the economics of relocating operations to Johor Baru.

"Meanwhile, retail and food and beverage businesses in DC-adjacent townships are expected to see stronger patronage and higher footfall from construction workers and, eventually, operations staff."

Previn also concurred that industrial real estate will continue to be the primary beneficiary, particularly well located industrial land, logistics parks and business parks capable of supporting digital infrastructure developments.

"However, the nature of demand has become increasingly specialised. Operators are no longer simply seeking large land parcels. The premium today is on infrastructure ready sites with secured power supply, water availability, scalable utilities and strong digital connectivity."

Increasingly, Previn said developers are not just delivering industrial developments – but creating integrated digital infrastructure ecosystems that can support long-term hyperscale and artificial intelligence (AI)-driven investments.

"This evolution is also reshaping how developers create value. Beyond industrial assets, we are seeing developers evolve their business models.

"Rather than focusing solely on conventional property development, many are pursuing recurring income opportunities through long-term leases, investment funds, joint ventures and potentially real estate investment trusts (REITs) structures."

Previn said this reflected a broader shift from traditional development profits towards infrastructure ownership, long-term asset management and recurring income streams.

"At the same time, there are significant opportunities across the wider supporting ecosystem. Utilities, specialised industrial facilities, engineering infrastructure, logistics assets and construction capabilities that enable the delivery and operation of DCs are becoming increasingly important as investment shifts from land acquisition to project delivery."

Previn said the next phase of growth will depend as much on infrastructure execution as on land development. "There are also selective spillover effects into the commercial and residential sectors, although these are more concentrated than broad based.

"Commercial activity is strengthening within established digital and technology hubs such as Cyberjaya, where DCs are reinforcing the wider ecosystem of cloud services, technology firms and digital businesses."

Similarly, Previn noted that Johor's emergence as Malaysia's leading DC hub is expected to support broader commercial activities, as the digital ecosystem continues to expand.

"On the residential side, the impact is more localised, creating opportunities for quality housing and rental accommodation within established DC corridors, as these developments attract highly skilled professionals, contractors and supporting service providers, rather than across the wider residential market."

Ultimately, Previn said the segments that stand to benefit the most are those that can successfully integrate real estate with infrastructure, rather than real estate in isolation.

"As digital infrastructure becomes an increasingly important long-term investment theme, the market will continue to reward developers and investors who can deliver complete, investment ready ecosystems instead of simply supplying land," he said.

Meanwhile, Knight Frank in its *Real Estate Highlights* report for the first half of 2026, said the Malaysian DC market is expected to remain on a growth trajectory, adding however that the sector is entering a more disciplined phase of development.

"The continued expansion of hyperscalers and DC operators, together with ongoing capacity delivery, indicates that underlying demand remains intact.

"At the same time, more stringent approval requirements and increasing scrutiny over power and water resources suggest that future developments will be assessed more selectively."

Knight Frank said this marked a shift from prioritising capacity expansion towards projects supported by committed demand, execution certainty and long-term operational sustainability.

"As the market matures, reliable access to power, water and fibre connectivity will become a key differentiator in site selection." It added that the growing scale of hyperscale and AI-driven facilities places greater emphasis on long-term utility availability and infrastructure scalability.